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No. 07-964

In The
Supreme Court of the United States

CIAS INC.,

Petitioner,

v.

ALLIANCE GAMING CORPORATION AND BALLY GAMING, INC.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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CORPORATE DISCLOSURE STATEMENT

There are no parent corporations or publicly held companies that hold 10% or more of CIAS Inc's stock.

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INTRODUCTION

Bally's opposition brief demonstrates the problem with the Federal Circuit's application of its own rules concerning prosecution history disclaimer. That application appears to be so "flexible" (Opp. Br. at 2) that even Bally perceives it may be influenced by irrelevant arguments leading to a result-oriented analysis.

ARGUMENT

I. BALLY'S OPPOSITION BRIEF DEMONSTRATES THE PROBLEM THIS COURT SHOULD RESOLVE

Bally's opposition brief dismisses the unpredictability of rulings with respect to prosecution history statements as being nothing more than the Federal Circuit Court of Appeals sometimes agreeing with the District Courts and sometimes not. (Opp. Br. at 1-2.) But "disagreement" in a majority of the cases since *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*) that have dealt with the issue is indicative of something far more serious. (91a-93a.) While some flexibility (Opp. Br. at 2) may be desired, prosecution history disclaimer is an issue in which the District Court and the Federal Circuit are applying the same rules to an unchanging written, public record. Desirable flexibility should not result in disagreement in a majority of cases.

Bally's brief suggests what Bally itself perceives this flexibility to mean – going beyond the merits of the particular prosecution history statements at issue

to enable a result-oriented analysis. Thus, just as it did in the District Court and in the Federal Circuit, Bally in effect suggests that this Court should rule against CIAS for reasons totally unrelated to the prosecution history statements at issue, but plainly intended to color the Court's view of CIAS and incline it toward ruling against CIAS.

Bally presents a parade of horrors, positing suits by CIAS against others, including "the entire U.S. gaming industry" if the Court should rule in CIAS' favor. (Opp. Br. at 11, n3). Bally neglects to tell the Court that prior to this suit, Bally proposed that Bally itself might acquire rights in the CIAS patent for purposes of asserting it against others in the U.S. gaming industry. That CIAS may have infringement claims against others is irrelevant to the question of whether or not it made a disclaimer of claim scope during prosecution. But Bally certainly believes that this will have some influence in the application of a "flexible" test to the written record.

Likewise, Bally tells the Court that the CIAS patent claims should be held invalid for obviousness under 35 U.S.C. § 103 and *KSR Int'l Co. v. Teleflex*, 127 S.Ct. 1727 (2007). Yet there was nothing obvious about the patent's claims when the United States Patent and Trademark Office held the patent claims patentable after reexamination. And others in the gaming industry have acknowledged that the very profitable Ticket In Ticket Out system could only be a long sought dream until the counterfeiting problem was solved – a solution provided by the CIAS patented system. (158a at col. 2, lines 7-17.) Bally's assertion of obviousness should, as a matter of relevancy, have

no bearing on the determination of the prosecution history disclaimer issue presented. Yet Bally here, as it did below, apparently expects that it will.

Finally, Bally tells this Court that CIAS "produces no marketable products" and that the inventor, Mr. Storch and his wife are its only employees. (Opp. Br. at 8.) Bally would ignore the fact that Mr. Storch is the inventor on 17 patents and that CIAS has developed gaming products. Bally also would ignore the fact that it is infringers such as Bally that keep individual inventors and small companies such as CIAS from achieving the benefits of their inventive efforts. Bally disparages Mr. Storch and CIAS obviously expecting that the disparagement will influence the courts in applying a "flexible" test for prosecution history disclaimer.

II. THE RELEVANT ANALYSIS

Bally's SMS and SDS identifying numbers, although generated from other numbers, ***are treated in its counterfeit detection systems as a single unique number***. (Pet. at 13-14.) That is unlike the Shoshani patent in which, although printed together, an identification number and a control number are always treated in the system as two separate numbers. (Pet. at 21-22.) As set out in CIAS' petition, that was what CIAS correctly described in the reexamination when discussing Shoshani and when it used the word "alone." If there was any disclaimer, it was a disclaimer of using two numbers separately. (Pet. at 21.)

As for Bally's arguments about the McNeight patent, they stretch to convert CIAS' statements about "secret algorithms" into statements about multipart numbers. (Opp. Br. at 24.) CIAS explained those statements at footnote 4 of its opening brief.[1]

Finally, Bally tries to resurrect an argument about CIAS' prosecution statements concerning the Massachusetts lottery system. Neither the District Court nor the Federal Circuit gave any credence to this argument. Indeed, while the argument is difficult to parse, at bottom it also makes no sense. Bally appears to be saying that CIAS disclaimed random numbers, when the '422 patent claims 13 and 14 at issue expressly include random numbers.

CONCLUSION

Bally's opposition brief is important for what it demonstrates about Bally's own view of the lower courts' application of the test for prosecution history disclaimer. While the test is straightforward and applied to a public, written record, Bally believes it to be sufficiently "flexible" in practice as to accommodate Bally's irrelevant arguments – in short, to be applied in a result-oriented manner, such that an implication becomes a narrowing claim limitation.

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[1] Bally's discussion of the patent's disclosure of a particular numbering system is equally unavailing. The '422 patent describes several inventions; the chip numbering system is one, the counterfeit detection system is another. It is the latter which is claimed.

Whatever the reasons for the excessive "disagreement" of the Federal Circuit with the District Courts, this case presents the opportunity for this Court to ensure by its oversight that a straightforward test is straightforwardly applied. Absent such oversight, the public, patent owners and accused infringers will continue to be at sea in assessing the effect of particular prosecution history statements in determining the meaning of claim terms.

For the reasons stated, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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